

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	Bc. Kristýna Šafářová
Advisor:	Mgr. Roman Kalabiška
Title of the thesis:	Public Procurement and Budgeting of Municipalities

OVERALL ASSESSMENT

Contribution

In her thesis, Kristýna Šafářová has studied municipal public procurement spending and fixed capital formation. This is a good thesis covering a policy-relevant topic, but, unfortunately, the motivation and empirical design is somewhat confusing and/or not persuasive.

The author deserves recognition for using a detailed, microeconomic dataset that she prepared specifically for the purpose of her thesis and that she has worked with in her thesis.

In one of her main findings, she concludes that the relationship was found significant and positive regardless of other municipalities' characteristics: size, regional affiliation, and political affiliation

But I lack a basic explanation of why this relationship is important (more on this also in the section on manuscript form, too) and why the empirical approach to studying it is suitable.

One of the questions that I kept getting back to when reading the thesis (and some hints of answering it arrived only late in the manuscript) was why is the author studying it and what is meant by it? Some fixed capital formation overlaps with public procurement – i.e., it is the same investment in two different data sets (first in public procurement contracts, and second in municipal budget – e.g., the money to be invested by a municipality will more likely than not be budgeted for as well as procured). If I understand it correctly, and if it is so, what sense it makes to do such an analysis? At a minimum, in my view this should be addressed up front and head on.

I got the best hint of the answer at the bottom of page 37 and the top of page 39 when the author discusses the results: "The variable of most interest, lagged procurement spending, is the only statistically significant one and it behaves as expected: holding all other variables constant, a 1% change in spending on public procurement is associated with a 0.012% increase in capital expenditures (i.e., fixed capital formation). *This is in line with intuition, as public procurement spending should be a part of the overall expenditure on fixed capital.* Therefore, there is a positive correlation between the municipalities' public procurement spending and fixed capital formation." (*emphasis by me*)

So in a way she confirms what I was curious about since I started reading the thesis: is the thesis really just looking at the same phenomena using two different concepts and data sources and looking at the correlation between them?

But it does not answer the question of why we should be interested in this in the first place etc. So the concept of the thesis, or at least this part of the thesis (as I am not discussing here the election part, mainly for the sake of space), seems not very clear to me and, if I understand it correctly, it does not seem to contribute much (neither it had much potential to contribute to start with).

Methods

All in all, the author uses state-of-the-art data source for procurement, public finance as well as election results, and I welcome this. However, she does not seem to be describing what she has done with the data as clearly as possible and some of the uses do not seem to be most suitable.

As more minor notes, the author sets out to work with detailed data, but then she aggregates the public procurement data (i.e., "transformed it into the aggregate values for each municipality and each year of interest"). I wonder whether she has considered working with the existing data prepared and

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worked with by other researchers such as this source (<https://digiwhist.eu/resources/data/>, to which Jiří Skuhrovec, another of our graduates, contributed).

A discussion is promised of why half of the municipalities have been dropped, but a clear description in the form of a table is not present, and the reasons are discussed not very clearly. („Therefore, I discarded 2,854 municipalities from the dataset for various reasons, explained in detail later in this chapter.“)

Literature

The discussion of the existing literature in the dedicated section is relatively wide-ranging.

Unfortunately, some of the most relevant contributions seem to be missing, such as the notable research contributions by Vítězslav Titl, currently of Utrecht University, or Ján Palguta currently of CUNEF Universidad in Madrin (by the way, both graduates of our institute). If compared with this research body that the author largely omits, she would then might reconsider or at least refine statements such as “The uniqueness of the used dataset lies in its extent, as it covers all three main components of the public contracts (supplies, services, and construction works) for the largest number of Czech municipalities possible in the given period, as opposed to the subsamples of municipalities or sectors predominantly studied in previous research.“.

Moreover, the Czechia-specific literature, for example, seems to be focusing more on some literature from a decade ago rather than on the recent contributions of the last five years, when the research has been very active in this area, too.

What I would surely like to see more of in the thesis is the comparison of its findings with those of existing studies, most likely directly in the results section.

Manuscript form

The manuscript form is generally of sufficient quality. The writing is mostly understandable and the use of English is good.

The introduction and some other sections do not contain the information I expected. For example, neither the introduction nor the abstract contain a clear statement of a research question. (Instead, the relatively brief introduction includes some lengthy introductions of some technical terms.)

The best I could find in these short sections was the following. The abstract says „This thesis analyzes the spending behavior of municipalities regarding public contracts, mainly the relationship between municipal public procurement spending and fixed capital formation,“ and the introduction says „The main objective of this thesis was to study the relationship between public procurement spending and fixed capital formation at the municipal level, taking into account other characteristics of the municipalities.“

The author repeatedly states that she studies the relationship between fixed capital formation and public procurement for the first time; it was much harder to find where she explains why is this relationship of interest.

It is not much helped by when she discusses so called Hypothesis 2 on page 27 (“Second, I hypothesized that the relationship between the aggregate value of municipalities’ public procurement spending and their fixed capital formation is not homogeneous—it is influenced by other municipalities’

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characteristics: population size, regional affiliation, and political affiliation.“) and Hypothesis 3 on page 31 („My third hypothesis is linked to the second one: there exists a positive correlation between the aggregate value of municipalities' public procurement spending and fixed capital formation.“).

A bit surprising was that hardly anything is foreshadowed about the content of the hypotheses until the dedicated chapter 4.

Suggested questions for the committee

I hinted at several questions in my text above already.

Why is the relationship between public procurement spending and fixed capital formation (hypotheses 2/3) of interest?

You seem to have omitted some of the recent, state-of-the-art research contributions to the study of public procurement in Czechia, as discussed above. But I understand that it is hard to familiarise yourself with the large body of literature between receiving this and the defence - otherwise, I would be interested how you consider your contribution and your chosen methodology in the light of their research papers.

Summary

In my view, the thesis fulfils the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University; I recommend it for the defence and suggest a grade D.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	16
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	10
<i>Manuscript Form</i> (max. 20 points)	15
TOTAL POINTS (max. 100 points)	61
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE:

DATE OF EVALUATION:

Digitally signed (22. 1. 2024)
Petr Janský

Referee Signature

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EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F